

**ASSEMBLY BILL**

**No. 2123**

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**Introduced by Assembly Member Lieu**

February 20, 2008

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An act to add Division 22 (commencing with Section 70000) to the Financial Code, relating to financial literacy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2123, as introduced, Lieu. California Financial Literacy Initiative.

The California Constitution requires the Legislature to encourage the promotion of intellectual improvement. Existing law regulates financial institutions and their interactions with the public. Existing law recognizes the existence of specialized financial institutions that provide services, including, but not limited to, financial literacy training, to underserved communities.

This bill would establish the California Financial Literacy Initiative for the purpose of improving financial literacy by offering instructional materials to citizens of California. The initiative would be administered by the Controller, who would be authorized to provide, among other things, an online library of financial literacy resources and materials to be made available for all Californians. The Controller would be authorized to convene a Financial Literacy Advisory Committee that may include representatives of the office of the Superintendent of Public Instruction, the office of the Treasurer, the Department of Corporations, the Department of Financial Institutions, and others invited by the Controller. The bill would require the Controller, as resources are available, to establish and oversee the California Financial Services Corps, which would provide certain financial information to low- and middle-income Californians who do not have financial advisors. The

bill would require the Franchise Tax Board to coordinate the promotion and activities of the Financial Services Corps with the board's tax assistance programs. The bill would establish the California Financial Literacy Fund in the State Treasury and would authorize the Controller to deposit donations from nonprofit entities into the fund. The bill would authorize moneys in the fund, upon appropriation by the Legislature, to be used for the purpose of establishing the services specified in the initiative.

The bill would require the Controller, beginning in 2010, to report to the Legislature annually on or before August 30 on the implementation of the initiative, as specified.

The bill would require specified state agencies to use existing resources for the initiative if those agencies elect to participate.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) The average American household consumer credit card debt
- 4 is about eight thousand dollars (\$8,000).
- 5 (b) Forty-three percent of American families spend more than
- 6 they earn, and data from the Federal Reserve states that Americans
- 7 hold a total debt of \$1.9773 trillion, not including mortgage debt,
- 8 averaging eighteen thousand six hundred fifty-four dollars
- 9 (\$18,654) per household.
- 10 (c) High school seniors taking part in a national survey of
- 11 financial knowledge scored an average of 52.4 percent, which is
- 12 a failing grade.
- 13 (d) Undergraduate students reported their freshman year as the
- 14 most prevalent time for obtaining credit cards, with 56 percent
- 15 reporting that they obtained their first credit card at 18 years of
- 16 age.
- 17 (e) Many groups are dedicated to increasing the financial literacy
- 18 of Americans and a broad range of quality personal finance
- 19 instructional materials and curricula have been created for this
- 20 purpose.
- 21 (f) California does not have an official statewide policy or
- 22 educational plan for the teaching of financial literacy.

1 (g) Financial literacy materials and resources exist in many  
2 forms but are not organized or collected in a systematic manner.

3 (h) The teaching of financial literacy skills is vital to equip the  
4 young people of California with the tools they need to enter the  
5 financial marketplace.

6 (i) As the 2007 subprime mortgage crisis demonstrated, there  
7 is a severe shortage of affordable financial advisors to counsel  
8 middle and lower income Californians and advise them on how to  
9 plan when a fiscal crisis hits.

10 SEC. 2. Division 22 (commencing with Section 70000) is added  
11 to the Financial Code, to read:

12  
13 DIVISION 22. CALIFORNIA FINANCIAL LITERACY  
14 INITIATIVE  
15

16 70000. For purposes of this division, “initiative” means the  
17 California Financial Literacy Initiative.

18 70001. (a) The California Financial Literacy Initiative is hereby  
19 established as a program for improving financial literacy by  
20 offering instructional materials to citizens of California.

21 (b) The initiative shall be administered by the Controller who  
22 shall establish an Office of Financial Literacy Advocate for these  
23 purposes to be funded as resources are available.

24 70002. (a) The goals for the initiative are to accomplish both  
25 of the following:

26 (1) Provide Californians with the tools they will need to manage  
27 financial commitments associated with loans.

28 (2) Promote high-quality programs that provide instruction on  
29 pertinent financial literacy issues as determined by the Controller.

30 (b) The Controller may do all of the following:

31 (1) Provide an online library of financial literacy resources and  
32 materials to be made available for all Californians.

33 (2) Coordinate and collaborate with financial institutions,  
34 financial services providers, and nonprofit community  
35 organizations in collecting and distributing financial literacy  
36 materials.

37 (3) Organize financial literacy materials, to be made available  
38 in a manner that ensures that materials are accessible to  
39 Californians with only a basic fundamental education.

1     70003. (a) The Controller may convene a Financial Literacy  
2     Advisory Committee to review materials that can be provided on  
3     the Internet in a centralized location for access by local educational  
4     agencies for purposes of ensuring that Californians have access to  
5     appropriate financial literacy resources.

6     (b) The Financial Literacy Advisory Committee shall be chaired  
7     by the Controller and may include representatives of the office of  
8     the Superintendent for Public Instruction, the office of the  
9     Treasurer, the Department of Corporations, the Department of  
10    Financial Institutions, and others to be invited by the Controller.

11    70004. As resources are available, the Controller shall establish  
12    and operate a financial literacy information toll-free telephone  
13    number and Internet Web site to provide basic financial information  
14    on the following subjects: financial credit scores, credit card  
15    applications, bank account applications, simple and compound  
16    interest calculations, and interest rates. The Controller shall provide  
17    this service in the following languages: English, Spanish, Chinese,  
18    Tagalog, Vietnamese, and Korean.

19    70005. (a) Financial institutions, financial services providers,  
20    nonprofit community organizations, and other entities whose  
21    materials or resources are included in the online library provided  
22    pursuant to paragraph (1) of subdivision (b) of Section 70002 may  
23    include in those materials a means of collecting data, including,  
24    but not limited to, all of the following:

25       (1) The estimated number of users.

26       (2) The age of the user.

27       (3) Any other relevant information that would aid in the purpose  
28    of furthering financial literacy pursuant to this division.

29    (b) As resources are available, the Controller shall provide the  
30    service described in this section in English, Spanish, Chinese,  
31    Tagalog, Vietnamese, and Korean.

32    70006. (a) As resources are available, the Controller shall  
33    establish and oversee the California Financial Services Corps. The  
34    purpose of the California Financial Services Corps shall be to  
35    provide clear, professional, and objective financial information,  
36    without promotion of any financial products, to low- or  
37    middle-income Californians who are not currently using a financial  
38    advisor. Volunteers with professional certifications in financial  
39    planning or comparable professional training shall be invited to  
40    serve in the corps. Financial information shall pertain to the

1 following major consumer purchases: automobile, home, or any  
2 other loan or investment not to exceed ten thousand dollars  
3 (\$10,000).

4 (b) The Franchise Tax Board shall coordinate the promotion  
5 and activities of the California Financial Services Corps with the  
6 board's tax assistance programs.

7 (c) The Controller shall attempt to staff the California Financial  
8 Services Corps with individuals who speak the following  
9 languages: English, Spanish, Chinese, Tagalog, Vietnamese, and  
10 Korean.

11 70007. (a) The California Financial Literacy Fund is hereby  
12 established in the State Treasury. The Controller may accept  
13 donations from nonprofit entities and deposit those donations into  
14 the fund, that, upon appropriation by the Legislature, may be used  
15 for the purpose of establishing the services described in this  
16 division. The California Financial Literacy Fund shall be subject  
17 to annual audit.

18 70008. Beginning in 2010, the Controller shall provide to the  
19 respective chairpersons of Assembly Committee on Banking and  
20 Finance and the Senate Committee on Banking, Finance and  
21 Insurance an annual report on the Controller's Financial Literacy  
22 Initiative. This report shall include, but not be limited to, the  
23 number of persons assisted by the financial literacy information  
24 toll-free telephone number and Internet Web site, a description of  
25 the inquiries made to those services, steps taken to partner with  
26 the financial services community and governmental and  
27 nongovernmental stakeholders to improve Californians' financial  
28 literacy, a description of the basic financial skills information  
29 available on the Controller's Web site and plans to improve that  
30 clearinghouse of information, any nonstate funding received for  
31 purposes of this initiative, and any additional recommendations  
32 to enhance financial literacy in California. This report shall be  
33 submitted no later than August 30 of each year.

34 70009. It is the intent of the Legislature that state agencies  
35 involved in the Financial Literacy Advisory Committee shall  
36 actively support the initiative. State agencies in the executive  
37 branch of government, including boards, commissions, and

- 1 constitutional officers, shall use existing resources for the initiative
- 2 if they elect to participate.

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